

City of Fullerton, California
Audit Discussion
November 20, 2018



Overview

- **Generally Accepted Governmental Auditing Standards (GAGAS) as contained in the “Yellow Book”, published by the US Government Accountability Office (GAO)**
- **Provides audit standards to be applied to governmental audits and defines the audit environment and types of governmental audits**
- **Three audit types: 1.) Financial Audits, 2.) Attestation Engagements, and 3.) Performance Audits**
- **City is subject to all three audit types**

Financial Audits

- Provides independent assessment of whether financial information is presented fairly in accordance with recognized criteria
- City is required to prepare financial statements annually and to have those financial statements audited by an independent CPA firm
- The “CAFR Audit” is an example of an annual financial audit that the City is subject to on a regular basis
- An independent CPA has been engaged annually to perform this audit

Attestation Engagements

- **Covers a broad range of financial and/or non-financial objectives where the subject matter is measured against suitable criteria**
- **Three types of Attestation Agreements: 1.) examinations, highest level of assurance, 2.) reviews, includes limited level of assurance, and 3.) agreed-upon procedures, includes a report of findings specifically related to the results of the procedures performed**
- **The City has engaged an independent CPA firm to perform agreed-upon procedures as necessary to provide assurance as to the reasonableness and accuracy of calculations**

Agreed-upon Procedures (AUP)

- May be most effective means of gaining assurance over specific areas of concern at a lower cost than other types of audits
- **Level 1 AUP:** Applied to a specific set of 5-10 transactions, including compensation calculations, wire transfers, journal entries, bank recs, etc. at an estimated cost of \$1,250 - \$5,000.
- **Level 2 AUP:** Applied to larger groups of transactions and processes, including CalCard transactions, inventory controls, vendor contracts, etc. at an estimated cost of \$5,000 - \$15,000
- **Level 3 AUP:** Applied to in-depth City-wide and/or Department-wide risk assessments and processes at an estimated cost of \$10,000 - \$200,000

Performance Audits

- **Provide objective analysis, findings, and conclusions to assist with improving performance of programs, activities, etc.**
- **Generally performed by external grant funding agencies and their auditors or through internal audit activities**
- **The City has had performance audits conducted by external funding agency auditors**

Upcoming City Audit Activity

- **FY 2017-18 Comprehensive Annual Financial Report (CAFR) is currently being audited by independent CPA firm, audit report will be presented along with the CAFR at the December 18 Council meeting**
- **FY 2017-18 federal Single Audit will be performed by an independent CPA firm in December/January, audit report will be presented to the Council in March/April**
- **An RFP for financial statement audit, Single Audit, and ad-hoc agreed-upon audit services will be released in January/February with anticipated contract execution in April/May**
- **Staff will seek further direction from Council to determine specific areas of concern, associated cost, and perceived value so that an AUP plan for the upcoming fiscal year is created/implemented**

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Questions?

A photograph of a modern building at dusk. The building has a white, angular facade and large glass windows. In the foreground, there is a curved concrete walkway with several cylindrical light fixtures. The landscaping includes low-lying plants and trees. The sky is a deep blue, and the building's interior lights are visible through the windows. The word "CONFERENCE CENTER" is visible on the building's facade.